

**CHEWELAH SCHOOL DISTRICT No. 36**  
**Stevens County, Washington**  
**September 1, 1993 Through August 31, 1994**

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**Schedule Of Findings**

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1. The District Should Control School Property

About 1987, an engine driven vehicle suitable for converting to a parade float was donated to the district. Then, in 1990, the incumbent superintendent personally purchased a 1966 Dodge diesel truck which he donated to the district. Also, about that time, a 32 foot cargo trailer was constructed and donated to the district. The truck and trailer were titled in the district's name. The district has insured and maintained the truck, trailer, and float but has never exercised control over the use of this equipment. The truck, trailer, and float are possessed and operated by the Chewelah Community Float Committee.

In District Board Resolution No. 92/93-79, the district resolved to continue to provide insurance coverage for the Chewelah Community Float and the truck and trailer used for its transport; in the event it decides to discontinue participation, to give at least one year's notice prior to December 30; and to transfer ownership to the Chewelah Community Float Committee at the time the insurance coverage terminates.

RCW 28A.335.090 states in part:

The board of directors shall have exclusive control of all school property, real or personal, belonging to the district . . . .

The *Constitution of the State of Washington*, Article 8, Section 7 states,

CREDIT NOT TO BE LOANED. No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm, or become directly or indirectly the owner of any stock in or bonds of any association, company or corporation.

The district exercises no control, yet stands liable for any bodily injury or property damage resulting from operation of the truck, trailer or float. Further, the providing of insurance and maintenance for the truck, trailer, and float for the Chewelah Community Float Committee constitutes a gift of public funds prohibited by the state constitution.

The district's management has permitted this arrangement to exist because of their desire to support the community. The district's management contends they receive a public benefit with this arrangement because the school bands would be prohibited from participating in major parades which require a float as a prerequisite to allowing bands to participate. The district attends one to two parades a year.

We recommend the district cease gifting public funds. We further recommend the district

consult with legal counsel to determine the appropriate procedures to sever the agreement with the Chewelah Community Float Committee.

2. The District Should Comply With Property Acquisition Terms And Conditions

In April and May 1993, the district acquired certain surplus U.S. military equipment, i.e., a motorized tug and four transport cars, from the Federal Surplus Property Program, Washington State Division of Commodity Redistribution. The tug and transport cars cost the military \$12,101. No value was placed on them at the time they were given to the district. The district paid \$540 in service and handling charges.

The district used its position as a public agency to acquire the tug and three of the cars for use by the local community. The district had no intention of using the equipment itself. It did not place this equipment in use. It retained possession of the tug and cars for more than one year before it transferred the equipment to Community Celebrations, a nonprofit civic organization in the City of Chewelah, for the consideration of \$1.00.

While our audit was in progress, the district was contacted by a representative of the Federal Surplus Property Program. After hearing the facts in the disposition of the tug and three cars, the representative told the district they would have to return the tug and three cars or, if unable to return the equipment, to pay \$2,493.85.

In the Terms and Conditions under which the district acquired the tug and cars, Paragraph (B)(1), it states in part:

All items of property shall be placed in use for the purpose(s) acquired within one year of receipt and shall be continued in use for such purpose(s) for one year from the date the property was placed in use. In the event the property is not so placed in use, or continued in use, the donee shall immediately notify the State agency and, at the donee's expense, return such property to the State agency or otherwise make the property available for transfer or other disposal by the State agency . . . .

While second class school districts have statutory authority to make school property available for public use, RCW 28A.335.280, School property used for public purposes)Limit on expenditures, states in part:

No real or personal property or improvements shall be purchased . . . except in the manner otherwise provided by law for the purchase . . . of school property . . . for school purposes.

Because the district obtained the motorized tug and three transport cars under false pretenses and did not comply with the terms and conditions of acquisition, it failed to acquire ownership. It therefore lacked the authority to dispose of the equipment in any manner except to return it to the donor. Further, payment of \$2,493.85 to the Federal Surplus Property Program would not result in transfer of ownership from the federal government.

District officials exceeded their statutory authority in their attempt to aid the local community.

We recommend the district regain possession of the motorized tug and three transport cars from Community Celebrations and return them to the Washington State Division of Commodity Redistribution, Auburn, Washington, or, if unable to regain possession, contact the Division of Commodity Distribution. We further recommend the district stop acquiring property solely for the benefit of the local community.